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November 14, 2022

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket No. 22-33-EE - 2023 Annual Energy Efficiency Plan
Joint Reply Testimony

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a Rhode Island Energy ("Rhode Island Energy" or the "Company"), I have enclosed the Joint Reply Testimony of David Moreira, Brett Feldman, Angela Li, Joshua Kessler and Michael O'Brien Crayne in the above-referenced docket.

Thank you for your attention to this matter. If you have any questions, please contact me at (401) 709-3359.

Very truly yours,

Steven J. Boyajian

Enclosure

cc: Docket 22-33-EE Service List

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate were electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.

Brenda L. Vucci

__________________________________ November 14, 2022_________
Brenda L. Vucci Date

Docket No. 22-33-EE – Rhode Island Energy's Energy Efficiency Plan 2023 Service list updated 10/24/22

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JOINT REPLY TESTIMONY

OF

DAVID MOREIRA, BRETT FELDMAN, ANGELA LI,

JOSHUA KESSLER, AND MICHAEL O'BRIEN CRAYNE

November 14, 2022

I. <u>INTRODUCTIONS</u>

<u>David Moreira</u>

Q. Mr. Moreira, please state your name and business address.

A. My name is David Moreira. My business address is 280 Melrose Street, Providence, Rhode Island 02907.

<u>Brett Feldman</u>

Q. Mr. Feldman, please state your name and business address.

A. My name is Brett Feldman. My business address is 280 Melrose Street, Providence, Rhode Island 02907.

<u>Angela Li</u>

Q. Ms. Li, please state your name and business address.

A. My name is Angela Li. My business address is 280 Melrose Street, Providence, Rhode Island 02907.

<u>Joshua Kessler</u>

Q. Mr. Kessler, please state your name and business address.

A. My name is Joshua Kessler. My business address is 280 Melrose Street, Providence, Rhode Island 02907.

<u>Michael O'Brien Crayne</u>

Q. Mr. Crayne, please state your name and business address.

A. My name is Michael O'Brien Crayne. My business address is 280 Melrose Street, Providence, Rhode Island 02907.

Q. Have you previously submitted testimony in this proceeding?

A. Yes. We all submitted joint direct testimony in this proceeding on September 30, 2022.

Q. Did you have an opportunity to review the testimony filed by the Division of Public Utilities and Carriers on November 4, 2022 in this proceeding?

A. Yes. We reviewed the direct joint testimony of Joel Munoz of the Division of Public Utilities and Carries (Division), Jennifer Kallay and Tim Woolf of Synapse Energy Economics, Inc. filed on November 4, 2022 (Division's Testimony).

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your reply testimony?

A. First, we will identify the areas where the Company and the Division are in agreement concerning the 2023 Energy Efficiency Plan. Second, we will address the Division's concerns regarding the Company's ability to utilize the proposed 2023 EE Plan budget. Third, we will discuss and withdraw the Company's proposal to use the social cost of carbon methodology when estimating the value of greenhouse gas (GHG) emissions in the 2023 EE Plan. Lastly, we will clarify that the Company is not seeking to remove EERMC regulatory costs from its proposed 2023 EE Plan budget.

III. AREAS OF CONSENSUS

Q. Please describe the aspects of the 2023 EE Plan with respect to which the Company and the Division agree.

A. The Company and the Division are in agreement that:

- The 2023 EE Plan is consistent with the Least Cost Procurement (LCP) Statute and Standards;
- The 2023 EE Plan supports the Act on Climate;
- The 2023 EE Plan Performance Incentive Mechanism (PIM) is consistent with the guidance provided in Order No. 24225 as part of Docket 5076 and Order No. 24440 as part of Docket 5189.

IV. PROPOSED BUDGET

Q. Please explain why the Company believes it will be able to utilize the proposed 2023 EE Plan budget for the C&I Electric sector.

A. The Company believes that its C&I spend will be higher in 2023 than in 2020 through 2022 because:

- The Company has a strong pipeline heading into 2023. As of early November, is the company has committed $9.4 million in incentives for projects expected to be completed in 2023. At this time in 2021, the 2022 pipeline included just $3.7M of projects. (This pipeline is based on projects with signed customer commitment letters, which are highly likely to be completed in the following year.) The Company attributes its 2023 pipeline strength to a combination of (1) projects experiencing supply chain delays in 2022 expected to complete in 2023 and (2) higher incentives for custom non-lighting projects driving increased program activity.

- Rising energy supply costs are expected to generate interest in energy efficiency among customers as a means of mitigating cost increases.
- The Company will undertake several activities in 2023 that will produce cost-effective energy savings in 2023 and beyond.

Q. Please describe the activities that are driving the proposed 2023 EE Plan budget.

A. The Company has planned several activities that will generate additional savings in 2023 and beyond, including:

- The Building Analytics Program launched in late 2022 and will ramp up in 2023 as described at Bates 170-171 of 2023 EE Plan. This is expected to generate savings through implementation of analytics solutions that help optimize existing HVAC controls and other systems, as well as identifying opportunities for new control systems and high-efficiency equipment.
- The Company will hire additional Sales staff to cover underserved segments, particular "mid-sized customers" with 1,000,000 to 2,000,000 kWh per year of consumption, generating additional savings from these customers (and utilizing a commensurate amount of budget).

- The Company will hire an employee to engage mechanical contractors and other trade allies. This individual will promote program offerings, capture industry feedback, connect trade allies with the appropriate Company staff, coordinate and promote trainings, and advocate for program changes to make program participation more attractive to contractors. More details can be found on Bates 190 of the 2023 EE Plan and the Company's responses to DIV 1-49 and 1-50.
- The Company anticipates launching a new approach to energy management systems (EMS) in 2023 that should significantly increase EMS project volume beginning in 2023. EMS are present in nearly all commercial buildings in some form or another and have enormous savings potential.
- The Company will increase funding for Technical Assistance studies to identify, characterize, and calculate savings from a greater volume of non-lighting projects.
- C&I marketing activity was largely dormant for the first half of 2022 as a result of the transition and began ramping up in Q3. The Company will continue this activity going forward, generating additional program interest.

Q. Can the Company identify specific project categories in the 2023 pipeline that will play a significant role in its ability to utilize the proposed 2023 EE Plan budget?

A. Yes, the Company began offering higher incentives for custom non-lighting measures in 2022 and will continue to do so in 2023. As noted above, this has already contributed to a strong 2023 pipeline and will generate additional interest during 2023 as more customers opt to leverage these higher incentive levels.

Q. Considering the aforementioned, is the Company making any changes to its proposed 2023 EE Plan budget?

A. Not at this time. However, the Company is evaluating its spending forecast for 2023 in light of actual spending in 2022 to determine whether any adjustments to the 2023 Plan budget are warranted.

The Company anticipates spending more in 2023 than 2022, but recent reductions in the Company's 2022 spending forecast may warrant a re-evaluation of the 2023 C&I Electric budget due to a combination of factors that have not been fully captured in the 2023 EE Plan budget. The 2022 C&I electric spending forecast has been reduced since the 2023 EE Plan was filed. This is in large part due to a reduction in the expected unit cost of savings (dollars per net lifetime MWh of savings). Based on this forecast, the Company now believes the unit cost of savings may be moderately below planned levels in 2023 as well.

In 2022, non-incentive spending was reduced as well. While much of this arose from reductions in budgets that have already been reduced in the 2023 EE Plan, the Company is investigating whether there are additional factors not captured in the 2023 EE Plan that might warrant adjustments.

Quantifying the exact amounts attributable to the factors described above will require additional time. For this reason, the Company is undertaking an analysis of factors that have come to light since the filing of the 2023 EE Plan that might impact the Company's spending forecast. The Company will promptly inform the Commission and parties if it determines that an adjustment to the 2023 EE Plan budget is warranted upon completion of this evaluation.

V. SOCIAL COST OF CARBON

Q. Please respond to the Division's position that the Commission should reject the social cost of carbon methodology proposed by the Company for the 2023 EE Plan year and order the Company to use the New England marginal abatement cost (MAC) method for this final year of the three-year energy efficiency plan.

A. The Company believes that the approach that values a unit of carbon reduction from a measure that replaces a piece of fossil fuel equipment differently from that of a measure that does not involve fossil fuel equipment replacement is a sound methodology because it appropriately gives more weight to measures that holistically impact Rhode Island's climate mandates set forth in the 2021 Act on Climate in both the short and long term.

Social Cost of Carbon (SCC) and Marginal Abatement Cost (MAC) represent two different quantifications of benefits of greenhouse gas emissions reductions, where the SCC additionally quantifies the long-term societal impact of relevant measures that is not implicit in the MAC. Because the 2021 Act on Climate sets greenhouse gas emissions reduction mandates out to 2050, the Company believes that a quantification of benefits that includes long-term societal impacts (the SCC) is more appropriate than a short-term quantification (the MAC) in certain applications. The response to PUC 1-51 further describes the rationale for applying MAC and SCC in various situations.

Although the Company believes that this two-tiered approach to the valuation of avoided carbon emissions has merit for Rhode Island and should be adopted, the Company also recognizes that the question of how to reflect the avoided cost of meeting state carbon reduction mandates in energy efficiency program planning is a policy question and the Company welcomes the input of others, including the Division and other stakeholders, in determining the best solution. Since the use of the MAC method of quantification has no practical effect on the Company's proposed 2023 EE Plan, the Company is open to deferring the use of the SCC method at this time.

Q. Considering the aforementioned, is the Company making any changes to the its proposed 2023 EE Plan?

A. Yes. The Company withdraws its proposal to use the social cost of carbon methodology for estimating the value of GHG emissions in the 2023 EE Plan and instead proposes to continue to use the New England MAC methodology at this time.

Q. Does this change in methodology materially impact the cost-effectiveness of the 2023 EE Plan?

A. No. However, other corrections to the Benefit Cost Model have brought the Electric Small Business Direct Install program slightly below 1.00. The Company will make any necessary adjustments to the costs and benefits of the program in order to make it cost effective and will provide those adjustments in an updated model to be submitted on November 17.

VI. <u>CLARIFICATIONS</u>

Q. After reviewing the Division's Testimony, are there any items pertaining to the Company's proposed 2023 EE Plan that you wish to clarify?

A. Yes. On Page 27, Line 19 of the Division's Testimony, the Division notes that "[t]he Company proposes removing legislatively mandated transfers to the RIIB, OER, and the EERMC from PIM-eligible costs." However, the Company is only seeking to remove transfers to RIIB and OER from PIM eligible costs, not transfers to the EERMC.

Q. Why is the Company not proposing to remove transfers to the EERMC from PIM-eligible costs?

A. As explained on Bates Page 101 of the 2023 EE Plan, pursuant to Rhode Island law, the RIIB and OER legislative transfers can be used for projects and initiatives other than energy efficiency programs administered by the Company. Therefore, neither transfer should be included in a PIM which is focused specifically on guiding Company's investments of energy efficiency funds to create net benefits to customers. The Company is not proposing the same exclusion for the funds transferred to the EERMC because the primary focus of the EERMC is oversight of the Company's EE programs.

Q. Does the Company wish to clarify any other item discussed in the Division's Testimony?

A. Yes. In three instances in the Division's Testimony, the Division suggests that the Company is proposing to change its calculation of the cost of supply to include only those non-energy impact benefits associated with income-eligible rate discounts and reductions in arrearage and utility carrying costs. (*See Division's Testimony Page 7, Lines 13-15; Page 9, Lines 15-18; Page 20, Lines 5-9.*) However, arrearages and income-eligible rate discounts are already included in the cost of supply of prior EE plans. The proposed change in the 2023 EE Plan is the inclusion of other utility carrying costs. These utility carrying costs include items such as Safety Related Emergency, Notices, Customer Calls and Collections, Terminations and Reconnections, and Bad Debt Write-offs.

VII. CONCLUSION

Q. Does that conclude your reply testimony?

A. Yes.